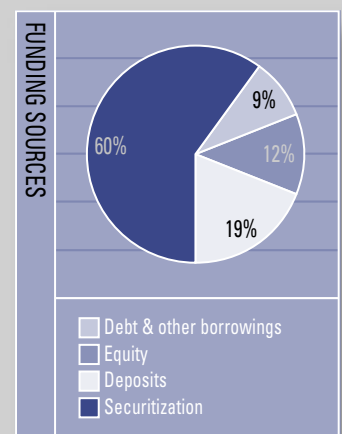
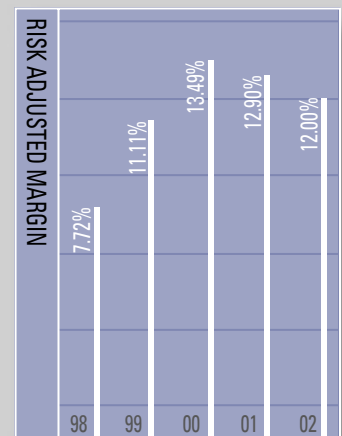
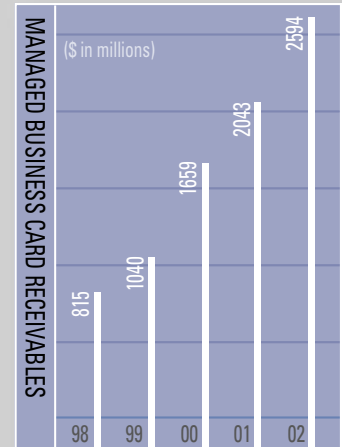




About Advanta

Advanta Corp. is a highly focused financial services company serving the small business market and related community. Our primary objective is to provide funding to the nation's small businesses through innovative products and services.

Over the past 50 years, Advanta pioneered many of the marketing techniques common in the financial services industry today, including remote lending and direct mail, affinity and relationship marketing. Today we apply the direct marketing and information based analytic experience gained from 20 years in the credit card business to the profitable and fast-growing small business market.



Selected Financial Data

<i>(In thousands, except per share amounts)</i>	Year Ended December 31,	
	2002	2001
Summary of Core Operations ⁽¹⁾		
Revenues from core operations		
Noninterest revenues	\$ 246,957	\$ 225,364
Interest revenues	92,052	76,878
Total revenues	339,009	302,242
Expenses of core operations		
Interest expense	37,559	35,049
Provision for credit losses	40,006	35,373
Operating expenses	201,409	172,611
Total expenses	278,974	243,033
Income from core operations before taxes	60,035	59,209
Income tax expense	23,114	22,796
Net income from core operations	36,921	36,413
Reconciliation of Non-GAAP Net Income from Core Operations to GAAP Net Loss		
Net income from core operations	36,921	36,413
Venture capital investment losses	(6,892)	(28,852)
Other segment net income (loss) ⁽²⁾	(51,545)	(72,808)
Income tax benefit	5,944	34,791
Income (loss) from continuing operations	(15,572)	(30,456)
Loss from discontinued operations, net of tax	—	(8,438)
Loss, net, on discontinuance of mortgage and leasing business, net of tax	(8,610)	(31,639)
Net loss	(24,182)	(70,533)
Per Common Share Data		
Diluted net income from core operations - combined ⁽¹⁾⁽³⁾	\$ 1.42 ⁽⁶⁾	\$ 1.41
Diluted net loss - combined	(0.97)	(2.75)
Cash dividends declared		
Class A	0.252	0.252
Class B	0.302	0.302
Book value-combined	13.11	14.20
Closing stock price		
Class A	8.98	9.94
Class B	9.39	9.10
Financial Condition—Year End		
Investments ⁽⁴⁾	\$ 503,479	\$ 476,568
Gross business credit card receivables		
Owned	445,083	416,265
Securitized	2,149,147	1,626,709
Managed	2,594,230	2,042,974
Total assets	1,681,613	1,636,680
Deposits	714,028	636,915
Debt	315,886	323,582
Capital securities ⁽⁵⁾	100,000	100,000
Stockholders' equity	321,313	366,299

(1) Core operations measures are non-GAAP financial measures used by management, and include the Advanta Business Cards segment and the Venture Capital segment with the exception of the venture capital valuation adjustments. Management believes the analysis of measures from core operations provides useful supplemental capital valuation adjustments are excluded from results of core operations because of their volatility related to market conditions. Net income (loss) of the Other segment and results of discontinued operations are also excluded, if applicable, since they are not indicative of what is expected from our continuing businesses on a prospective basis.

(2) Includes investment and other activities not attributable to the Advanta Business Card or Venture Capital segments.

(3) Combined represents a weighted average of Class A and Class B.

(4) Includes federal funds sold and investments available for sale.

(5) Represents company-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely subordinated debentures of Advanta Corp.

(6) Calculated using 25,960,000 shares, which represent the weighted average combined common shares that would have been used to calculate diluted earnings per share had there been income from operations rather than a loss.

Letter to Our Shareholders

Dear Shareholder:

With each year in our 52 year history, we have defined and refined who we serve and how we serve them. The financial services company that once served the unique needs of teachers and then expanded to nurses and stenographers now serves the needs of small business owners. Yet our focus remains on the individual customer. A constant theme in our evolution as a Company has been to develop expertise and service that treat each customer's requirements at the individual level.

This vision served us well in 2002. Certainly, we felt the impact of operating in a difficult economy, a bearish stock market, a competitive credit card market, and a highly regulated environment. Yet, our card business achieved solid results while we enhanced credit quality, grew our customer base, and made progress in seeking segments while others grew mass.

Improving Credit Quality

During 2002, our strategy to attract and retain higher credit quality customers resulted in substantial improvements in the credit quality of our portfolio – no small feat in a difficult economy. We accomplished this improvement through highly competitive offers to potential customers, and through strengthening our relationship with existing customers by offering state-of-the-art business solutions, customer service, and Internet tools. The proof of our success with this strategy was seen in the fourth quarter of 2002 – a quarter which yielded strong growth, lower losses and



leveraging of our infrastructure. One can also see the results from the customers that we are attracting. At the end of 2002, our new customers' general credit characteristics at origination were the highest it has been for our business cards.

We were pleased with the progress we made on this strategic initiative in 2002. Looking ahead, we expect the investments that we are making today in this area will result in stronger returns in the future.

Broadening Services and Capabilities

In addition to enhancing our customer base, we have been investing to enhance our service, which is already among the best. In January of this year, the one millionth site user logged on to advanta.com. In recognition of how quickly we achieved this milestone, we made a donation to the charity of the customer's choice. It was our way of thanking our customers for choosing Advanta and celebrating the growth of our interactive Web site since its launch a year earlier. The site allows card holders to check balances 24 hours a day in real time, to monitor use of any number of cards on one account, and to generate financial reports for record keeping and tax reporting.

When we launched the new site, a scenario we discussed was decreased calls to our customer service center. What we found, however, was that while use of Advanta's Web site increased 120% over 2001, calls to our customer care center continued to come in at the same rate. The site, in fact, has become an *engagement* tool, creating more interaction with Advanta's experts, increased use of our services, and what we hope will be

a new level of customer loyalty. We continue to develop new services for Web site users to increase the site's value to our customers.

We enhanced our customer contact center systems, providing our staff with more data about our customers and their accounts in a faster and more efficient format. Recognizing the potential impact of the soft economy on our customer, we also enhanced our already strong collections platform and added resources and staffing. Customer contact center and collection representatives are pleased with the improvements, and we believe they will result in, increased savings, better customer service and retention, and increased collection capabilities.

Building Relationships

In another effort to build relationships with our customers, we have pursued a program of co-branding, reaching out to companies and non-profit organizations to offer the Advanta card to their members, with rewards and advantages that are tailored to their industry or interest. Through these programs, Advanta provides its direct marketing expertise to associations that support small businesses, helping them secure more members and serve their members better. It's a way of putting Advanta at the center of a small business network fueled by our marketing and technological expertise.

When Jack Alter started Teachers Service Organization in 1951, he knew all of his customers personally. He enjoyed the satisfaction of helping his fellow teachers achieve their financial goals, and he didn't have to think about "building relationships" with his customers – he did it naturally. Our goal is to maintain that same customer-centric perspective.

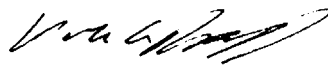
To achieve this goal, we approach this large market with a "granular" focus. Based on our experience, our research, and our analytic models, we segment the world of small business customers to levels at which we can anticipate unique needs, introduce a helpful new service, and otherwise treat the customer in a way that doesn't feel mass produced. We imagine our customers saying to themselves, "How did they know?" And from the wonderful letters we get every week about our customer service, we know many are.

Looking Forward

Solidity, prudence and building for long-term strength during tough economic times is a philosophy that worked in 2002, and it's a foundation that will enable us to thrive when the economy improves. We look ahead to 2003 with the confidence that we are on the right path. We continue to be proud of the integrity and personal excellence among the employees at all of our locations, and thank all Advantans for their role in building the relationships that are at the heart of the Company. With their dedication and the support of you, our shareholders and investors, we are well positioned for the future.



Dennis Alter
Chief Executive Officer
Chairman of the Board



William A. Rosoff
President
Vice Chairman of the Board

More Than a Credit Card Company

A Partner for Small Business

What do a family doctor, a florist, a plumber, a dry cleaner, a restaurant owner, and a contractor have in common? They are all part of the largest market in the United States today – the small business market. They require working capital, cash flow advances, tools to maintain useful financial records, and a connection to business advice and support now and then. Beyond these similarities, however, are diverse individual needs.

At Advanta, we serve this massive market, but our approach is not mass marketing. Instead, we dig deep to understand the particular needs of our diverse customers by segmenting and micro-segmenting the market into meaningful sub-groups. Our 52 years' experience in capturing and analyzing credit behavior, combined with our willingness to view the business challenge from the customer's point of view, allow us to develop products and services that appeal to the real – and continuously changing – needs of small business.

The Benefits of Granular Focus

Our “granular focus” serves us well in an increasingly competitive credit card environment. Although more issuers are now serving small business, the segment often represents a small percentage of their customers. We grasp opportunities that those less focused on small business are too busy to see. We offer our customers a superior level of service that enables them to grow.

Advantans are trained to handle servicing and collection issues in a business-to-business fashion, speaking the language and understanding the constraints of a small business owner or manager. Our Web site allows small businesses to service their accounts 24/7 with real-time account data, to monitor multiple employee accounts, and create sophisticated management reports to assist with bookkeeping and taxes. The site also links small businesses with non-financial services and vendors that specialize in small business adding depth and value to our customer relationship.

Sharing our Expertise to Help Small Businesses

We know how to network. We have begun to help small businesses leverage the memberships and relationships they already have, thereby broadening their business world and opportunities. We have worked with for-profit, governmental, and nonprofit organizations to offer co-branded Advanta cards that also deliver special services and rewards tailored to the interests of the customer. We also share our analytic capabilities to help select groups, which support small business, to focus their marketing efforts and drive membership, thus strengthening the organization as well as its respective small business members.

What happens when a card issuer provides service and customer-centric solutions at this level? It becomes more than a card issuer; it becomes a partner.

More Than a Credit Card

Small businesses – those with revenues under \$1 million - represent over 50% of the U.S. workforce, account for 52% of the GDP, and are the source for two-thirds of all net new jobs. They span all geographic regions and industries. Some are century-old family businesses; some are side businesses started out of an entrepreneur's home; 37% are owned by women; 15% by minority owners. Advanta serves the needs of this large and diverse market by offering more than a credit card. We become a partner to small business with a tailored array of products, services and customer service.

Best-In-Class Service

On the phone or on the Web — Advanta's focus on small business allows us to deliver a level of service our customers say is among the best they receive, regardless of industry.

Relationship Building

Advanta builds loyal customer relationships by providing the tools and services to guide small businesses through the challenges they face. We also build relationships with industry organizations that serve our customers, strengthening their position in the marketplace and their ties to each other.

Granular Focus

The ability to segment America's more than 35 million small businesses into useful categories and to translate the knowledge gained into an ability to serve our customers on a personal level is at the heart of Advanta's leadership in the small business credit card market.

Customer-centric Solutions

Advanta's services revolve around the needs of our customers. Our customer-centric approach yields a package of services tailored to specific customer needs.

Half A Century Strong

Flexibility, strong values, and attention to customer needs have made Advanta a trusted partner for more than 52 years.



Financial Review

The following 2002 financial review and financial statements have been condensed for your convenience. A detailed financial evaluation may require more information than is included in this summary annual report. More comprehensive financial information is provided in the Annual Report on Form 10-K that was mailed with the proxy statement. The 2002 Form 10-K is also available at www.advanta.com or by calling Investor Relations at 215.444.5335.

2002 FINANCIAL REVIEW

Overview

Our primary business segment is Advanta Business Cards, one of the nation's largest issuers of business credit cards to small businesses. In addition to our business credit card lending business, we have venture capital investments. Through the first quarter of 2001, we had two additional lending businesses, Advanta Mortgage and Advanta Leasing Services. In the first quarter of 2001, we completed our exit from the mortgage business, announced the discontinuance of our leasing business, and restructured our corporate functions to a size commensurate with our ongoing businesses. We are continuing to service the existing leasing portfolio rather than sell the business or the portfolio. The results of the mortgage and leasing businesses are reported as discontinued operations in all periods presented. The results of our ongoing businesses are reported as continuing operations for all periods presented.

In 2002, net income from core operations was \$1.42 per combined diluted common share. Net income from core operations is a non-GAAP financial measure used by management, and includes net income of the Advanta Business Cards segment and the Venture Capital segment with the exception of the venture capital valuation adjustments, net of tax. Management believes the analysis of income from core operations provides useful supplemental information needed to make meaningful comparisons of our current results to prior and future periods. Venture capital valuation adjustments are excluded from results of core operations because of their volatility related to market conditions. Net income (loss) of the Other segment and results of discontinued operations are also excluded, if applicable, since they are not indicative of what is expected from our continuing businesses on a prospective basis. For 2002, we reported net loss from continuing operations of \$15.6 million or \$0.63 per combined common share, assuming dilution, compared to net loss of \$30.5 million or \$1.19 per combined diluted common share for 2001. The loss for 2002 includes a pretax charge of \$43.0 million related to a ruling in the litigation associated with the transfer of our consumer credit card business in 1998, and pretax investment losses on venture capital investments of \$6.9 million. The loss for 2001 includes pretax investment losses on venture capital investments of \$28.9 million and \$41.8 million of pretax unusual charges representing costs

associated with the restructure of our corporate functions to a size commensurate with our ongoing businesses and certain other unusual charges related to employee costs.

Loss from continuing operations included the following business segment results:

(\$ in thousands)	Year Ended December 31,	
	2002	2001
Pretax income (loss):		
Advanta Business Cards	\$ 63,244	\$ 63,515
Venture Capital	(10,101)	(33,158)
Other ⁽¹⁾	(51,545)	(72,808)
Total pretax income (loss)	1,598	(42,451)
Income tax (expense) benefit	(17,170)	11,995
Loss from continuing operations	\$ (15,572)	\$ (30,456)

(1) Other includes investment and other activities not attributable to the Advanta Business Cards or Venture Capital segments.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. We have identified the accounting for the fair value of venture capital investments, allowance for receivable losses, securitization income, business credit card rewards programs, litigation contingencies, income taxes and discontinued operations as our most critical accounting policies and estimates in that they require management's most difficult, subjective or complex judgments as a result of the need to make estimates about the effect of matters that are inherently uncertain. Changes in such estimates could have a material impact on our financial condition or results of operations. These accounting policies, including the nature of the estimates and types of assumptions used, are described in our 2002 Form 10-K.

ADVANTA BUSINESS CARDS

Advanta Business Cards offers business credit cards to small businesses using targeted direct mail and telemarketing solicitation and the Internet. To a limited extent, we market our products at

industry trade shows or other forums, as another solicitation channel. Our business credit cards provide approved customers with access, through merchants, banks, checks and ATMs, to an instant unsecured revolving business credit line. Advanta Business Cards generates interest and other income through finance charges assessed on outstanding balances, interchange income, and cash advance and other credit card fees.

Advanta Business Cards originated, directly and through the use of third parties, 241,869 new accounts during the year ended December 31, 2002 and 224,255 new accounts in 2001. Our managed business credit card receivable portfolio is comprised of both owned business credit card receivables and securitized business credit card receivables. Managed business credit card receivables grew 27% in 2002 to \$2.6 billion at December 31, 2002 from \$2.0 billion at December 31, 2001. We expect owned and managed business credit card receivables to grow approximately 15% to 20% in the year ended December 31, 2003. Our originations in 2002 included a broader array of competitively-priced offerings and products, including promotional pricing and rewards programs, designed to selectively attract and retain more higher credit quality customers and to respond to the competitive environment in the credit card industry.

Pretax income for Advanta Business Cards was \$63.2 million in the year ended December 31, 2002 as compared to \$63.5 million in the year ended December 31, 2001. The components of pretax income for Advanta Business Cards in the years ended December 31 were as follows:

(\$ in thousands)

	2002	2001
Net interest income on owned receivables	\$ 55,204	\$ 53,421
Noninterest revenues	246,957	215,280
Provision for credit losses	(40,006)	(35,373)
Operating expenses	(198,911)	(169,813)
Pretax income	\$ 63,244	\$ 63,515

The increase in noninterest revenues in 2002 as compared to 2001 is comprised of increased securitization income, servicing revenues, interchange income and other fee revenues due to the growth in average managed receivables. Securitization income was also impacted by the decrease in yield on securitized receivables, a decrease in the interest rate earned by noteholders and an increased net charge-off rate on securitized receivables. The

decrease in yield is a result of a broader array of competitively-priced offerings and products in 2002, including promotional pricing, designed to selectively attract and retain more higher credit quality customers and to respond to the competitive environment.

The increase in the provision for credit losses in 2002 as compared to 2001 reflects an increase in average owned business credit card receivables, partially offset by estimates as of December 31, 2002 of a lower level of inherent losses in the portfolio, based on delinquency and net charge-off rate trends and the current composition of the portfolio, as compared to estimates as of December 31, 2001. The increase in operating expenses in 2002 as compared to 2001 resulted from growth in managed receivables and additional investments in initiatives to strengthen our position as a leading issuer of business credit cards to the small business market.

VENTURE CAPITAL

We make venture capital investments through certain of our affiliates. Our investment objective is to earn attractive returns by building the long-term values of the businesses in which we invest. Our investment affiliates combine transaction expertise, management skills and a broad contact base with strong industry-specific knowledge. We actively monitor the performance of our venture capital investments, and employees and officers of our investment affiliates participate on the boards of directors of some investees. Investments of our venture capital segment are included in investments available for sale and carried at estimated fair value. Management makes fair value determinations based on quoted market prices, when available, and considers the investees' financial results, conditions and prospects, values of comparable companies and market liquidity, when market prices are not available. In accordance with specialized industry accounting principles of venture capital companies, unrealized and realized gains and losses on these investments are included in other revenues in the consolidated income statements. The fair values of these equity investments are subject to significant volatility. Our investments in specific companies and industry segments may vary over time. We primarily invest in privately-held companies, including early stage companies. These investments are inherently risky as the market for the technologies or products the investees have under development may never materialize.

The components of pretax loss for our venture capital segment in the years ended December 31 were as follows:

(\$ in thousands)

	2002	2001
Net interest expense	\$ (711)	\$ (1,508)
Realized losses, net	(48)	(9,296)
Unrealized losses, net	(6,860)	(19,583)
Other revenues	16	27
Operating expenses	(2,498)	(2,798)
Pretax loss	\$ (10,101)	\$ (33,158)

As shown in the table above, pretax loss of our venture capital segment is comprised primarily of realized and unrealized losses on our venture capital investments, which reflect the market conditions for those investments in each respective period, and operating expenses. The estimated fair value of our venture capital investments was \$13.5 million at December 31, 2002, and \$18.6 million at December 31, 2001.

INTEREST INCOME AND EXPENSE

Interest income decreased by \$24.3 million to \$103.6 million for 2002 as compared to 2001. The decrease was due primarily to a decrease in the average yield earned on our investments and receivables as a result of the prevailing interest rate environment and the competitively-priced offers described below. Also contributing to the decrease in interest income was a decrease in average federal funds sold, restricted interest-bearing deposits and investments of \$377 million for the year ended December 31, 2002 as compared to 2001. This decrease reflects our deployment of excess liquid assets resulting from our exit from the mortgage business in the first quarter of 2001, which were held in short-term, high quality investments. Partially offsetting these decreases were increases in average business credit card receivables of \$90 million in the year ended December 31, 2002 as compared to 2001.

In 2002, our marketing campaigns have included a broader array of competitively-priced offerings and products, including promotional pricing and rewards programs, designed to selectively attract and retain more higher credit quality customers and to respond to the competitive environment. In 2002, these competitively-priced offers resulted in a decline in yields on business credit card receivables, and are anticipated to result in lower credit losses in future periods and higher interchange income due to higher purchase volume. We anticipate that these trends on business credit card receivables will

continue in 2003 and that our risk-adjusted revenues as a percentage of average managed business credit card receivables will be between 10.5% and 11.5% in 2003 as compared to 12% for 2002. Risk-adjusted revenues represent net interest income and noninterest revenues, less net principal charge-offs.

During 2002, interest expense decreased by \$34.9 million to \$47.6 million as compared to 2001. This decrease was due to a reduction in average outstanding deposits and debt and a decrease in our average cost of funds. In the first quarter of 2001, we received in excess of \$1 billion in cash proceeds from the Mortgage Transaction that resulted in liquidity in excess of the needs of our continuing businesses. The decrease in average outstanding deposits and debt reflects our deployment of excess liquid assets in 2001 and 2002. The excess liquid assets were held in short-term, high-quality investments earning money market rates until they could be deployed. As a result, we had interest expense in excess of interest income on this excess liquidity that was not included in Advanta Business Cards or venture capital segment results. We do not anticipate that we will incur net interest expense unrelated to the funding of our Advanta Business Cards or Venture Capital segments in the year ended December 31, 2003 since the excess liquid assets described above have been deployed as of December 31, 2002. Our average cost of funds decreased from 7.24% for 2001 to 5.17% for 2002. The decrease in our average cost of funds is primarily a result of the prevailing interest rate environment.

PROVISION AND ALLOWANCE FOR RECEIVABLE LOSSES

The allowance for receivable losses is maintained for on-balance sheet receivables and is intended to cover all losses inherent in the owned receivable portfolio. Business credit card receivables are comprised of principal amounts due from cardholders for purchase activities and cash advances, and amounts due from cardholders relating to billed interest and fees.

The provision for credit losses for 2002 increased by \$4.9 million to \$40.9 million as compared to 2001, and the provision for interest and fee losses increased by \$2.5 million to \$6.9 million as compared to 2001. The provision for interest and fee losses in 2002 includes a \$698 thousand increase due to the change in income billing practice effective October 1, 2002 described in our 2002 Form 10-K. The increase in both provisions reflects growth in average owned business credit card receivables of \$90 million

for 2002 as compared to 2001, partially offset by a reduction in our estimate of losses inherent in the portfolio as of December 31, 2002, based on improving delinquency and charge-off rate trends from April to December 2002 and the current composition of the portfolio as compared to our estimate as of December 31, 2001.

DELINQUENCY AND CHARGE-OFF RATE TRENDS ON OWNED BUSINESS CREDIT CARD RECEIVABLES

	Dec. 31, 2002	Sep. 30, 2002	Jun. 30, 2002	Mar. 31, 2002	Dec. 31, 2001
Receivables 90 days or more delinquent	2.7%	2.9%	3.3%	3.4%	3.3%
Receivables 30 days or more delinquent	5.3	6.4	6.5	7.1	6.7
Net principal charge-offs as a % of owned business credit card receivables for the three months ended (annualized)	6.5	8.2	8.2	9.4	8.2

The improvements in delinquency rates are the result of the current composition of the portfolio and enhancements in the collections area of operations. In June 2000, we ceased origination of business credit card accounts with Fair, Isaac and Company ("FICO") credit scores of less than 661. We estimate that charge-offs for accounts with FICO credit scores of less than 661 at origination reached their peak in the first quarter of 2002, based on the average age of that segment of the portfolio. Although charge-off levels are not always predictable since they are impacted by the economic environment and other factors beyond our control, we anticipate charge-off rates for the year ended December 31, 2003 and for each quarter of 2003 to be lower than the comparable periods of 2002. This expectation is based on the current composition of the portfolio that reflects our strategic initiative to selectively attract and retain more higher credit quality customers, enhancements in the collections area of operations made in 2002, and the current level of delinquencies. However, we are expecting charge-off rates in the first and second quarters of 2003 to be higher than the rate experienced in the fourth quarter of 2002, due to the current level of receivables 90 days or more delinquent and historical seasonal trends of charge-offs and bankruptcy petitions.

The allowance for receivable losses on business credit card receivables was \$44.5 million, or 10.0% of owned receivables, at December 31, 2002, as compared to \$41.2 million, or 9.9%, at December 31, 2001.

SECURITIZATION INCOME

A significant portion of our funding for Advanta Business Cards is through off-balance sheet business credit card securitizations using a securitization trust. The securitization trust was created to hold the collateral (the securitized receivables) and issue debt to investors. The securitization trust is a qualifying special-purpose entity as defined by Statement of Financial Accounting Standards ("SFAS") No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities - a Replacement of FASB Statement No. 125," and therefore, is not consolidated as part of Advanta Corp.'s consolidated financial statements. We do not provide any guarantee of the debt issued by the special-purpose entity and our recourse in the transactions is limited to the value of our interests in securitizations that serve as credit enhancement to the investors' interests in the securitized receivables.

Securitization income was \$119.0 million in the year ended December 31, 2002, as compared to \$108.2 million in the year ended December 31, 2001. The increase in securitization income in 2002 was due primarily to increased volume of securitized receivables. Securitization income in 2002 was also impacted by a decline in yields on securitized receivables, a decrease in the interest rate earned by note holders, and an increased net charge-off rate on securitized receivables. In 2003, we anticipate an increase in the volume of securitized receivables, as a result of anticipated receivables growth, which is expected to result in an increase in securitization income as compared to 2002.

MANAGED RECEIVABLE DATA

Performance on a managed receivable portfolio basis is relevant because we retain interests in the securitized receivables and, therefore, we have a financial interest in and exposure to the performance of the securitized receivables. The following table provides selected information on a managed receivable portfolio basis as of December 31 and for the year then ended.

	2002		
	Owned	Securitized ⁽¹⁾	Total Managed
Average business credit card receivables	\$ 472,103	\$ 1,727,864	\$ 2,199,967
Ending business credit card receivables	\$ 445,083	\$ 2,149,147	\$ 2,594,230
Number of business credit card accounts	780,326	N/A	780,326
Interest income	\$ 92,049	\$ 318,970	\$ 411,019
Interest expense	36,845	38,923	75,768

Net interest income	55,204	280,047	335,251
Noninterest revenues	246,958	(123,765)	123,193
Net principal charge-offs	37,400	156,282	193,682
Receivables 90 days or more delinquent	11,959	69,335	81,294
Receivables 30 days or more delinquent	23,406	136,128	159,534

	2001		
	Owned	Securitized ⁽¹⁾	Total Managed
Average business credit card receivables	\$ 382,262	\$ 1,490,052	\$ 1,872,314
Ending business credit card receivables	\$ 416,265	\$ 1,626,709	\$ 2,042,974
Number of business credit card accounts	682,890	N/A	682,890
Interest income	\$ 86,925	\$ 293,824	\$ 380,749
Interest expense	33,504	65,857	99,361
Net interest income	53,421	227,967	281,388
Noninterest revenues	215,279	(111,746)	103,533
Net principal charge-offs	27,369	116,221	143,590
Receivables 90 days or more delinquent	13,891	52,991	66,882
Receivables 30 days or more delinquent	28,040	107,997	136,037

(1) Represents adjustments to reverse the effects of securitizations.

SERVICING REVENUES

Servicing revenues were \$34.0 million in the year ended December 31, 2002, as compared to \$29.2 million in the year ended December 31, 2001. The increase in servicing revenues in 2002 was due to increased volume of securitized business credit card receivables.

OTHER REVENUES

(\$ in thousands)	Year Ended December 31,	
	2002	2001
Interchange income	\$93,023	\$80,721
Business credit card rewards	(12,542)	(8,979)
Cash advance fees	3,602	2,547
Balance transfer fees	3,545	0
Investment securities losses, net	(6,169)	(26,227)
Loss on sale of deposits	0	(2,835)
Insurance revenues (losses), net and other	5,693	(3,758)
Total other revenues, net	\$ 87,152	\$ 41,469

Interchange income includes interchange fees on both owned and securitized business credit cards. The increase in interchange income in 2002 was primarily due to higher purchase volume related to the increase in average managed business credit card accounts and receivables. The average interchange rate was 2.1% in 2002 and 2.2% in 2001. The increase in cash advance fees in 2002

was also due to growth in managed business credit card accounts.

Business credit card rewards, which include bonus miles and cash-back rewards, are earned by eligible cardholders based on net purchases charged to their accounts. The increase in business credit card rewards in 2002 was due to the increase in average managed business credit card accounts in the rewards programs and the corresponding purchase activity in those accounts, partially offset by a change in estimate. In 2002, we revised our estimate of the bonus mile reward liability, including a change in the assumed percentage of cardholders that will ultimately claim rewards from 80% to 70% and a change in the estimated cost of future reward redemptions, based on experience for that program life-to-date. This change in estimate reduced our bonus mile reward liability and increased other revenues by approximately \$1.9 million in 2002.

In 2002, we experienced an increased volume of balance transfers to cardholder accounts as compared to 2001, due to marketing campaigns that have included a broader array of competitively-priced offerings and products, including balance transfer promotions, promotional pricing and rewards programs, geared specifically toward attracting more higher credit quality customers. In connection with offering promotional pricing on balance transfers, we began assessing balance transfer fees to cardholders in the first quarter of 2002.

Investment securities losses include changes in the fair value and realized losses on venture capital investments described above in "Venture Capital". Partially offsetting these losses were realized gains on other investments of \$0.7 million in 2002 and \$2.7 million in 2001.

In the second quarter of 2001, we sold \$389.7 million of deposit liabilities to E*TRADE Bank, a wholly owned subsidiary of E*TRADE Group, Inc., resulting in a \$2.8 million loss.

Insurance revenues (losses), net, and other includes charges of \$1.1 million in 2002 related to valuation adjustments on other receivables held for sale. Insurance revenues, net and other in 2001 includes the impact of the termination of our strategic alliance direct market auto insurance with Progressive Casualty Insurance Company and \$10 million of charges related to the write-off of insurance-related deferred acquisition costs that were unrealizable subsequent to the termination of the auto insurance strategic alliance.

LOSS ON TRANSFER OF CONSUMER CREDIT CARD BUSINESS

On January 22, 1999, Fleet Financial Group and certain of its affiliates filed a lawsuit against Advanta Corp. and certain of its subsidiaries in Delaware Chancery Court in connection with the transfer of our consumer credit card business in 1998, as more fully described in our 2002 Form 10-K. On January 22, 2003, the trial court issued a decision ruling on all but one of the issues that were to be determined at trial, and ordered further briefing on the remaining outstanding issue. In 2002, we recognized a \$43.0 million pretax charge representing the estimated impact of implementing the court's decisions. This charge was classified in continuing operations as a loss on transfer of consumer credit card business, consistent with the classification of the gain on transfer of consumer credit card business of \$541 million in 1998.

OPERATING EXPENSES

<i>(\$ in thousands)</i>	Year Ended December 31,	
	2002	2001
Salaries and employee benefits	\$ 69,227	\$ 59,823
Amortization of business credit card deferred origination costs, net	49,597	39,118
External processing	16,952	15,936
Professional fees	12,818	15,320
Marketing	11,061	10,574
Equipment	10,676	8,768
Occupancy	6,612	5,941
Credit	5,607	5,419
Telephone	4,145	2,404
Postage	3,470	3,304
Fraud loss	2,896	2,568
Insurance	2,870	4,607
Other	5,810	6,404
Total operating expenses	\$ 201,741	\$ 180,186

Salaries and employee benefits, external processing, equipment, telephone and fraud expense increased in 2002 as compared to 2001 due primarily to growth in managed business credit card receivables and additional investments in initiatives to strengthen our position as a leading issuer of business credit cards to the small business market. These included initiatives to provide additional value to our existing customers, customer retention activities,

development of additional products and services, development of affinity cards and partnership relationships, and enhancement of internet capabilities for servicing our customers. External processing expenses in 2002 also reflect a reduction in the contracted rate for these services that occurred during the first quarter of 2002.

The increase in amortization of business credit card deferred origination costs, net, in 2002 is attributable to our strategic initiative to selectively attract and retain more higher credit quality customers and the competitive environment for credit card issuers. Amortization of business credit card deferred origination costs for 2002 also includes a \$1.4 million decrease as a result of a change in estimate. Effective July 1, 2002, we refined our estimate of the timing of when accounts are acquired to better match the resulting estimated period of benefit to the amortization of deferred acquisition costs.

Professional fees decreased in 2002 due primarily to a reduction in legal expenses related to the timing of litigation activity. The decrease in insurance expense in 2002 was primarily a result of a decrease in FDIC insurance costs on deposit liabilities. Our FDIC insurance costs decreased due to the significant reduction in our outstanding deposits at Advanta National Bank subsequent to the our exit from the mortgage business, and due to a decrease in the insurance assessment rate at Advanta Bank Corp. In addition, insurance expense for 2002 includes a \$400 thousand reduction of our estimated liability related to worker's compensation insurance.

Other operating expenses for 2002 include a \$1.1 million decrease in litigation reserves resulting from a reduction of damages in a jury verdict.

UNUSUAL CHARGES

After the exit from our mortgage business and discontinuance of our leasing business in the first quarter of 2001, we implemented a plan to restructure our corporate functions to a size commensurate with our ongoing businesses and incurred certain other unusual charges related to employee costs. Costs associated with these restructuring activities and other employee costs are included in unusual charges in the condensed consolidated income statements.

INCOME TAXES

We reported a pretax loss in the year ended December 31, 2002 as a result of the \$43.0 million charge related to the ruling in the litigation associated with the transfer of our consumer credit card business in 1998. Since the gain on the transfer of our consumer credit card business in 1998 was not subject to income tax, the \$43.0 million charge in 2002 did not result in a tax benefit. As a result, we reported income tax expense from continuing operations of \$17.2 million for the year ended December 31, 2002. Our effective tax rate, excluding the \$43.0 million charge, was 38.5% for the year ended December 31, 2002. We reported a pretax loss in 2001 as a result of unusual charges, valuation adjustments on venture capital investments and the loss on the discontinuance of the leasing business. A valuation allowance was provided against a portion of the resulting deferred tax asset given our pre-existing net operating loss carryforwards and the uncertainty of the realizability of the incremental deferred tax asset, resulting in an effective tax rate of 28% for income from continuing operations for 2001. As more fully described in our 2002 Form 10-K, certain tax matters are currently before the Internal Revenue Service Regional Office of Appeals.

DISCONTINUED OPERATIONS

On January 23, 2001, we announced that after a thorough review of strategic alternatives available for our leasing business, Advanta Leasing Services, we decided to cease originating leases and will continue to service the existing portfolio rather than sell the business or the portfolio. Effective February 28, 2001, we completed the Mortgage Transaction and exit of our mortgage business, Advanta Mortgage, through a purchase and sale agreement with Chase Manhattan Mortgage Corporation as buyer. The purchase and sale agreement provided for the sale, transfer and assignment of substantially all of the assets and operating liabilities associated with our mortgage business, as well as specified contingent liabilities arising from our operation of the mortgage business prior to closing that were identified in the purchase and sale agreement. We retained contingent liabilities, primarily relating to litigation, arising from our operation of the mortgage business before closing that were not specifically assumed by the buyer.

In 2002, we recorded an after-tax loss on the discontinuance of our mortgage and leasing businesses of \$8.6 million. The components of this loss include a pretax charge of \$7.5 million for a litigation settlement related to a mortgage loan servicing agreement termination fee collected in December 2000, a \$17.8 million pretax charge primarily related to an increase in our estimated costs of mortgage business-related contingent liabilities, an \$11.3 million pretax gain on leasing discontinuance, and a tax benefit of \$5.4 million. The \$17.8 million charge relates primarily to an increase in our estimated 2002 and future costs of mortgage business-related contingent liabilities in connection with (1) contingent liabilities and litigation costs arising from the operation of the mortgage business prior to the Mortgage Transaction that were not assumed by the buyer, and (2) costs related to Advanta's litigation with Chase Manhattan Mortgage Corporation in connection with the Mortgage Transaction. The \$11.3 million pretax gain on leasing discontinuance represents a revision in the estimated operating results of the leasing segment over the remaining life of the lease portfolio due primarily to favorable credit performance.

We recorded an after-tax loss on the discontinuance of our mortgage and leasing businesses of \$31.6 million in 2001. The components of the net loss recorded in 2001 include a pretax gain on the Mortgage Transaction of \$20.8 million, a pretax loss on the discontinuance of our leasing business of \$45.0 million, and tax expense of \$7.4 million. Loss from discontinued operations, net of tax, was \$8.4 million for the period from January 1, 2001 through February 28, 2001.

LITIGATION CONTINGENCIES

Advanta Corp. and its subsidiaries are involved in class action lawsuits, other litigation, claims and legal proceedings arising in the ordinary course of business or discontinued operations, including litigation arising from our operation of the mortgage business prior to the Mortgage Transaction in the first quarter of 2001. These litigation contingencies are more fully described in our 2002 Form 10-K. Management believes that the aggregate loss, if any, resulting from these actions will not have a material adverse effect on our financial position or results of our operations based on the level of litigation reserves we have established and our current expectations regarding the ultimate resolutions of these

existing actions. Our litigation reserves are estimated based on the status of litigation and our assessment of the ultimate resolution of each action after consultation with our attorneys. However, due to the inherent uncertainty in litigation and since the ultimate resolutions of these proceedings are influenced by factors outside of our control, it is reasonably possible that our estimated liability under these proceedings may change or that actual results will differ from our estimates.

LIQUIDITY AND CAPITAL RESOURCES

Our goal is to maintain an adequate level of liquidity, for both long-term and short-term needs, through active management of both assets and liabilities. Since Advanta Corp.'s debt rating is not investment grade, our access to unsecured, institutional debt is limited. However, at December 31, 2002, we had a high level of liquidity and have access to a diversity of funding sources, including off-balance sheet securitizations, deposits at our bank subsidiaries and unsecured debt securities of Advanta Corp. through our retail note program. In addition, at December 31, 2002, we had \$332 million of federal funds sold, \$177 million of receivables held for sale, and \$126 million of investments, which could be sold to generate additional liquidity.

Components of funding were as follows at December 31:

(\$ in thousands)	2002		2001	
	Amount	%	Amount	%
Off-balance sheet securitized				
receivables (1)	\$2,172,266	60%	\$1,893,162	56%
Deposits	714,028	19	636,915	19
Debt and other borrowings	315,886	9	355,899	11
Capital securities	100,000	3	100,000	3
Equity	321,313	9	366,299	11
Total	\$3,623,493	100%	\$3,352,275	100%

(1) Includes both off-balance sheet business credit card receivables and off-balance sheet lease receivables related to discontinued operations. Excludes our ownership interest in the investor principal balance of securitizations (subordinated trust assets) that are held on-balance sheet and classified as retained interests in securitizations or assets of discontinued operations.

As shown above, off-balance sheet securitizations provide a significant portion of our funding and they are one of our primary sources of liquidity. When the revolving periods of the securitization transactions end and they start their expected amortization periods, we will need to replace the funding currently being provided by those transactions. We expect the \$157 million

Series 2000-A to complete its amortization period by April 2003 and the \$600 million Series 2000-B to complete its amortization period by July 2003. Management expects to replace this funding through a combination of increased deposits and private and public securitization transactions under similar terms and conditions as our current private and public securitizations. However, based on recent trends in market rates for asset-backed securities issued by certain other credit card companies and our recent experience, we expect the costs of our public securitization transactions in 2003 will be higher than what we experienced in 2002.

In August 2002, the Board of Directors authorized the purchase of up to an additional 1.5 million shares of Advanta Corp. common stock, bringing the total authorization to up to 3 million shares. We intend to continue to make purchases modestly and when we believe it is prudent to do so while we analyze evolving capital requirements. During 2002, we repurchased 1,554,759 shares of our Class B Common Stock and had repurchased a total of 2,248,059 shares of our Class B Common Stock under the 3 million share authorization.

REGULATORY AGREEMENTS AND RESTRICTIONS AT SUBSIDIARIES

Our bank subsidiaries, Advanta Bank Corp. and Advanta National Bank, are subject to regulatory capital requirements and other regulatory provisions that restrict their ability to lend and/or pay dividends to Advanta Corp. and its affiliates. Our insurance subsidiaries are also subject to certain capital and dividend rules and regulations as prescribed by state jurisdictions in which they are authorized to operate. These regulations are described in our 2002 Form 10-K.

In 2000, Advanta Bank Corp. entered into agreements with its bank regulatory agencies, primarily relating to the bank's subprime lending operations. These agreements imposed temporary deposit growth limits at Advanta Bank Corp. and required prior regulatory approval of cash dividends. In April 2002, the agreements were removed and, as a result, the restrictions in the agreements on deposit growth and payment of cash dividends are no longer applicable. In connection with removing the agreements, Advanta Bank Corp. reached an understanding with its regulators, reflecting

continued progress in our ongoing efforts to enhance Advanta Bank Corp.'s practices and procedures. Effective October 2002, the understanding was revised. The revised understanding replaces the provisions of the prior understanding and provides for the bank to enhance certain of its internal planning and monitoring processes. The revised understanding is consistent with the manner in which Advanta Bank Corp. is currently operating its business and includes no restrictions expected to have any impact on our financial results.

In 2000, Advanta National Bank reached agreements with its bank regulatory agency, primarily relating to the its subprime lending operations. The agreements established temporary asset growth limits, imposed restrictions on taking brokered deposits and required that Advanta National Bank maintain certain capital ratios in excess of the minimum regulatory standards. In 2001, Advanta National Bank entered into an additional agreement with its regulatory agency regarding restrictions on new business activities and product lines after the Mortgage Transaction, and the resolution of outstanding liabilities. The agreement also reduced the capital requirements for Advanta National Bank to 12.7% for Tier 1 and total capital to risk-weighted assets, and to 5% for Tier 1 capital to adjusted total assets as defined in the agreement. In addition, the agreement prohibits the payment of dividends by Advanta National Bank without prior regulatory approval. Management believes that Advanta National Bank was in compliance with its regulatory agreements at December 31, 2002.

Total stockholders' equity of our banking and insurance affiliates was \$280 million at December 31, 2002, of which \$226 million was restricted. At January 1, 2003, \$54.6 million of stockholders' equity of our bank and insurance affiliates was available for payment of cash dividends in 2003 under applicable regulatory guidelines without prior regulatory approval. In addition to dividend restrictions at banking subsidiaries, certain non-bank subsidiaries are subject to minimum equity requirements as part of

securitization or other agreements. The total minimum equity requirement of non-bank subsidiaries was \$10 million at December 31, 2002. At December 31, 2002, the non-bank subsidiaries were in compliance with these minimum equity requirements.

Management believes that the restrictions, for both bank and non-bank subsidiaries, will not have an adverse effect on Advanta Corp.'s ability to meet its cash obligations due to the current levels of liquidity and diversity of funding sources.

FORWARD LOOKING INFORMATION

This summary annual report contains forward-looking statements that are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected. The most significant among these risks and uncertainties are: (1) our managed net interest margin; (2) competitive pressures; (3) political, social and/or general economic conditions that affect the level of new account acquisitions, customer spending, delinquencies and charge-offs; (4) factors affecting fluctuations in the number of accounts or loan balances, including the retention of cardholders after promotional pricing periods have expired; (5) interest rate fluctuations; (6) the level of expenses; (7) the timing of the securitizations of our receivables; (8) factors affecting the value of our investments; (9) the effects of government regulation, including restrictions and limitations imposed by banking laws, regulators, examinations, and the agreements between our bank subsidiaries and their regulators; (10) relationships with customers, significant vendors and business partners; (11) the amount and cost of financing available to us; (12) the ratings on our debt; (13) revisions to estimated charges associated with the discontinued operations of our mortgage and leasing businesses; and (14) the impact of litigation. Additional risks that may affect the our future performance are detailed in the our filings with the Securities and Exchange Commission, including our 2002 Form 10-K.

CONDENSED CONSOLIDATED BALANCE SHEETS

<i>(\$ in thousands)</i>	December 31,	
	2002	2001
ASSETS		
Cash	\$ 14,834	\$ 20,952
Federal funds sold and restricted interest-bearing deposits	411,706	343,845
Investments available for sale	171,222	246,679
Receivables, net	455,347	423,407
Accounts receivable from securitizations	198,238	168,983
Premises and equipment, net	25,496	25,722
Other assets	277,658	264,689
Assets of discontinued operations, net	127,112	142,403
Total assets	\$ 1,681,613	\$ 1,636,680
LIABILITIES		
Deposits	\$ 714,028	\$ 636,915
Debt	315,886	323,582
Other borrowings	0	32,317
Other liabilities	230,386	177,567
Total liabilities	1,260,300	1,170,381
Commitments and contingencies		
Company-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely subordinated debentures of Advanta Corp.	100,000	100,000
STOCKHOLDERS' EQUITY		
Class A preferred stock, \$1,000 par value; Authorized, issued and outstanding – 1,010 shares in 2002 and 2001	1,010	1,010
Class A voting common stock, \$.01 par value; Authorized - 200,000,000 shares; Issued - 10,041,017 shares in 2002 and 2001	100	100
Class B non-voting common stock, \$.01 par value; Authorized - 200,000,000 shares; Issued - 20,326,289 shares in 2002 and 17,939,639 shares in 2001	204	179
Additional paid-in capital	243,910	223,362
Deferred compensation	(17,837)	(64)
Unearned ESOP shares	(10,831)	(11,295)
Accumulated other comprehensive income	186	1,259
Retained earnings	147,205	179,370
Less: Treasury stock at cost, 2,896,112 Class B common shares in 2002 and 1,348,079 Class B common shares in 2001	(42,634)	(27,622)
Total stockholders' equity	321,313	366,299
Total liabilities and stockholders' equity	\$ 1,681,613	\$ 1,636,680

CONDENSED CONSOLIDATED INCOME STATEMENTS

<i>(In thousands, except per share data)</i>	Year Ended December 31,	
	2002	2001
Interest income	\$ 103,604	\$ 127,935
Interest expense	47,580	82,470
Net interest income	56,024	45,465
Provision for credit losses	40,906	35,976
Net interest after provision for credit losses	15,118	9,489
Noninterest revenues:		
Securitization income	118,976	108,186
Servicing revenues	33,973	29,221
Other revenues, net	87,152	41,469
Loss on transfer of consumer credit card business	(43,000)	0
Total noninterest revenues	197,101	178,876
Expenses:		
Operating expenses	201,741	180,186
Minority interest in income of consolidated subsidiary	8,880	8,880
Unusual charges	0	41,750
Total expenses	210,621	230,816
Income (loss) before income taxes	1,598	(42,451)
Income tax expense (benefit)	17,170	(11,995)
Loss from continuing operations	(15,572)	(30,456)
Loss from discontinued operations, net of tax	0	(8,438)
Loss, net, on discontinuance of mortgage and leasing businesses, net of tax	(8,610)	(31,639)
Net loss	\$ (24,182)	\$ (70,533)
Basic loss from continuing operations per common share		
Class A	\$ (0.69)	\$ (1.23)
Class B	(0.59)	(1.17)
Combined	(0.63)	(1.19)
Diluted loss from continuing operations per common share		
Class A	\$ (0.69)	\$ (1.23)
Class B	(0.59)	(1.17)
Combined	(0.63)	(1.19)
Basic net loss per common share		
Class A	\$ (1.03)	\$ (2.79)
Class B	(0.94)	(2.73)
Combined	(0.97)	(2.75)
Diluted net loss per common share		
Class A	\$ (1.03)	\$ (2.79)
Class B	(0.94)	(2.73)
Combined	(0.97)	(2.75)
Basic weighted average common shares outstanding		
Class A	9,152	9,101
Class B	15,909	16,581
Combined	25,061	25,682
Diluted weighted average common shares outstanding		
Class A	9,152	9,101
Class B	15,909	16,581
Combined	25,061	25,682

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(\$ in thousands)</i>	Year Ended December 31,	
	2002	2001
OPERATING ACTIVITIES- CONTINUING OPERATIONS		
Net loss	\$ (24,182)	\$ (70,533)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Loss from discontinued operations, net of tax	0	8,438
Loss, net, on discontinuance of mortgage and leasing businesses, net of tax	8,610	31,639
Investment securities (gains) losses	6,169	26,227
Valuation adjustments on other receivables held for sale	1,085	0
Loss on sale of deposits	0	2,835
Depreciation	8,479	7,959
Provision for credit losses	40,906	35,976
Provision for interest and fee losses	6,889	4,404
Change in deferred origination costs, net of deferred fees	(9,910)	(6,556)
Change in receivables held for sale	(466,364)	(320,896)
Proceeds from sale of receivables held for sale	494,486	272,549
Change in accounts receivable from securitizations	(29,255)	(34,465)
Change in other assets and other liabilities	60,468	(11,888)
Net cash provided by (used in) operating activities	97,381	(54,311)
INVESTING ACTIVITIES- CONTINUING OPERATIONS		
Change in federal funds sold and restricted interest-bearing deposits	(67,861)	(219,863)
Purchase of investments available for sale	(503,723)	(1,144,064)
Proceeds from sales of investments available for sale	465,520	896,016
Proceeds from maturing investments available for sale	105,840	737,874
Change in receivables not held for sale	(99,032)	(68,593)
Purchases of premises and equipment, net	(8,253)	(7,698)
Net cash provided by (used in) investing activities	(107,509)	193,672
FINANCING ACTIVITIES- CONTINUING OPERATIONS		
Change in demand and savings deposits	(1,068)	(8,055)
Proceeds from issuance of time deposits	412,170	724,665
Payments for maturing time deposits	(343,447)	(1,044,640)
Payments for sale of deposits and related accrued interest	0	(392,511)
Proceeds from issuance of debt	111,515	182,975
Payments on redemption of debt	(141,910)	(614,577)
Change in other borrowings	(32,317)	28,028
Proceeds from exercise of stock options	363	3,480
Cash dividends paid	(7,983)	(7,659)
Stock buyback	(15,554)	(7,505)
Net cash used in financing activities	(18,231)	(1,135,799)
DISCONTINUED OPERATIONS		
Proceeds from the exit of our mortgage business	0	1,093,975
Other cash provided by (used in) operating activities	22,241	(78,301)
Net cash provided by operating activities of discontinued operations	22,241	1,015,674
Net increase (decrease) in cash	(6,118)	19,236
Cash at beginning of year	20,952	1,716
Cash at end of year	\$ 14,834	\$ 20,952

SELECTED FINANCIAL DATA

	Year Ended December 31,				
	2002	2001	2000	1999	1998
<i>(In thousands, except per share amounts)</i>					
Summary of Operations ⁽¹⁾					
Noninterest revenues	\$ 240,101	\$ 178,876	\$ 151,033	\$ 105,370	\$ 140,408
Interest revenues	103,604	127,935	142,148	104,584	111,502
Interest expense	47,580	82,470	86,508	80,800	101,226
Provision for credit losses	40,906	35,976	36,309	22,506	38,329
Operating expenses	201,741	180,186	150,292	95,506	136,835
Minority interest in income of consolidated subsidiary	8,880	8,880	8,880	8,880	8,880
Unusual charges ⁽²⁾	0	41,750	0	16,713	125,072
Gain (loss) on transfer of consumer credit card business	(43,000)	0	0	0	541,288
Income (loss) before income taxes	1,598	(42,451)	11,192	(14,451)	382,856
Income (loss) from continuing operations	(15,572)	(30,456)	11,192	41,334	408,604
Income (loss) from discontinued operations, net of tax	0	(8,438)	(163,578)	8,484	39,276
Loss, net, on discontinuance of mortgage and leasing businesses, net of tax	(8,610)	(31,639)	(4,298)	0	0
Net income (loss)	(24,182)	(70,533)	(156,684)	49,818	447,880
Per Common Share Data					
Basic income (loss) from continuing operations					
Class A	\$ (0.69)	\$ (1.23)	\$ 0.39	\$ 1.59	\$ 15.14
Class B	(0.59)	(1.17)	0.47	1.66	15.21
Combined ⁽³⁾	(0.63)	(1.19)	0.44	1.63	15.18
Diluted income (loss) from continuing operations					
Class A	(0.69)	(1.23)	0.39	1.58	14.32
Class B	(0.59)	(1.17)	0.46	1.65	14.35
Combined ⁽³⁾	(0.63)	(1.19)	0.44	1.62	14.33
Basic net income (loss)					
Class A	(1.03)	(2.79)	(6.28)	1.95	16.62
Class B	(0.94)	(2.73)	(6.21)	2.02	16.68
Combined ⁽³⁾	(0.97)	(2.75)	(6.24)	1.99	16.65
Diluted net income (loss)					
Class A	(1.03)	(2.79)	(6.23)	1.94	15.69
Class B	(0.94)	(2.73)	(6.16)	2.00	15.73
Combined ⁽³⁾	(0.97)	(2.75)	(6.19)	1.98	15.71
Cash dividends declared					
Class A	0.252	0.252	0.252	0.252	0.252
Class B	0.302	0.302	0.302	0.302	0.302
Book value-combined	13.11	14.20	17.06	23.14	21.26
Closing stock price:					
Class A	8.98	9.94	8.81	18.25	13.25
Class B	9.39	9.10	7.19	14.06	11.06

(continued on next page)

(1) Results through February 1998 include the results of the consumer credit card unit. The results of the mortgage and leasing businesses are reported as discontinued operations in all periods presented.

(2) 2001 amounts included severance, outplacement and other compensation costs associated with restructuring our corporate functions commensurate with the ongoing businesses as well as expenses associated with exited businesses and asset impairments. 1999 amounts included charges associated with cost reduction initiatives in the first quarter and additional costs associated with products exited in the first quarter of 1998. 1998 amounts included severance and outplacement costs associated with workforce reduction, option exercises and other employee costs associated with the disposition of our consumer credit card business and tender offer, and expense associated with exited business/products and asset impairment.

(3) Combined represents a weighted average of Class A and Class B (see Note 2 to the consolidated financial statements).

SELECTED FINANCIAL DATA (continued)

	Year Ended December 31,				
	2002	2001	2000	1999	1998
<i>(In thousands, except per share amounts)</i>					
Financial Condition—Year End					
Investments ⁽⁴⁾	\$ 503,479	\$ 476,568	\$ 866,376	\$ 893,819	\$ 1,290,373
Gross business credit card receivables:					
Owned	445,083	416,265	335,087	275,095	150,022
Securitized	2,149,147	1,626,709	1,324,137	765,019	664,712
Managed	2,594,230	2,042,974	1,659,224	1,040,114	814,734
Total owned assets	1,681,613	1,636,680	2,843,472	3,538,560	3,662,062
Deposits	714,028	636,915	1,346,976	1,512,359	1,749,790
Debt	315,886	323,582	755,184	788,508	1,030,147
Capital securities ⁽⁵⁾	100,000	100,000	100,000	100,000	100,000
Stockholders' equity	321,313	366,299	440,902	589,631	560,304
Selected Financial Ratios					
Return on average assets	(1.50)%	(3.39)%	(4.35)%	1.34%	11.95%
Return on average common equity	(6.74)	(17.50)	(31.37)	8.82	82.76
Return on average total equity	(6.68)	(17.42)	(31.28)	8.74	74.75
Return on average total equity and capital securities	(3.98)	(12.82)	(25.11)	8.30	64.81
Equity/owned assets	19.11	22.38	15.51	16.66	15.30
Equity and capital securities/owned assets	25.05	28.49	19.02	19.49	18.03
Equity/managed assets ⁽⁶⁾	8.34	10.38	3.74	4.99	4.67
Equity and capital securities/managed assets ⁽⁶⁾	10.93	13.21	4.59	5.83	5.50
Dividend payout ⁽⁷⁾	N/M	N/M	N/M	15.67	1.62
As a percentage of owned receivables:					
Total receivables 30 days or more delinquent	5.4	6.6	5.4	3.8	4.7
Net principal charge-offs ⁽⁸⁾	7.5	6.7	4.2	5.4	7.0
As a percentage of managed receivables:					
Total receivables 30 days or more delinquent	6.2	6.6	5.0	3.7	4.4
Net principal charge-offs ⁽⁸⁾	8.7	7.6	4.6	5.1	6.7

(4) Includes federal funds sold, investments available for sale and trading investments, if applicable.

(5) Represents company-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely subordinated debentures of Advanta Corp.

(6) See "Liquidity and Capital Resources" in Management's Discussion and Analysis of Operations and Financial Condition for calculation of managed assets.

(7) The dividend payout ratio for the years ended December 31, 2002, 2001 and 2000 is negative and, therefore, not meaningful.

(8) Effective October 1, 2000, business credit card charge-off statistics reflect the adoption of a new charge-off policy for bankruptcies. Bankrupt business credit cards are charged off within a 60-day investigative period after receipt of notification. The previous policy provided a 90-day investigative period. Managed and owned business credit card principal charge-offs for the year ended December 31, 2000 include a 0.2% acceleration of charge-offs in connection with the adoption of this policy.

COMMON STOCK PRICE RANGES AND DIVIDENDS

Advanta's common stock is traded on the National Market tier of The Nasdaq Stock Market under the symbols ADVNA (Class A voting common stock) and ADVNB (Class B non-voting common stock). Following are the high, low and closing prices and cash dividends declared for the last two years as they apply to each class of stock:

Quarter Ended:	High	Low	Close	Cash Dividends Declared
Class A:				
March 31, 2001	\$ 16.00	\$ 8.75	\$ 15.81	\$ 0.063
June 30, 2001	16.00	12.86	16.00	0.063
September 30, 2001	19.10	8.00	9.40	0.063
December 31, 2001	11.72	8.00	9.94	0.063
March 31, 2002	\$ 12.90	\$ 8.47	\$ 12.76	\$ 0.063
June 30, 2002	14.55	10.40	10.86	0.063
September 30, 2002	11.45	7.60	10.05	0.063
December 31, 2002	11.00	8.25	8.98	0.063
Class B:				
March 31, 2001	\$ 14.00	\$ 7.16	\$ 13.69	\$ 0.076
June 30, 2001	14.00	11.90	13.97	0.076
September 30, 2001	17.10	8.10	8.95	0.076
December 31, 2001	10.79	6.85	9.10	0.076
March 31, 2002	\$ 11.99	\$ 7.90	\$ 11.99	\$ 0.076
June 30, 2002	14.04	10.24	10.93	0.076
September 30, 2002	11.44	7.35	10.33	0.076
December 31, 2002	11.10	8.00	9.39	0.076

At December 31, 2002, Advanta had approximately 252 holders of record of Class A stock and 673 holders of record of Class B stock.

REPORT OF MANAGEMENT ON RESPONSIBILITY FOR FINANCIAL REPORTING

To the Stockholders of Advanta Corp.:

The management of Advanta Corp. and its subsidiaries is responsible for the preparation, content, integrity and objectivity of the condensed consolidated financial statements and other financial information contained in this summary annual report. Management is responsible for maintaining a system of internal controls that provide reasonable, but not absolute, assurance that assets are safeguarded, that transactions are properly recorded and executed, and financial statements are reliable. This system includes: (1) controls which provide reasonable assurance that errors or irregularities would be detected promptly, (2) programs aimed at assuring that policies and standards are understood, (3) continuing management review and evaluation of systems and controls, (4) disclosure controls and procedures to ensure that information required to be disclosed in reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and (5) a program of independent internal audit and risk management reviews to ensure compliance. The complete Report of Management on Responsibility for Financial Reporting and the Report of Independent Public Accountants appear in our Annual Report on Form 10-K that was mailed with the proxy statement for the 2003 Annual Meeting of the Stockholders of Advanta Corp.



Dennis Alter
Chief Executive Officer
and Chairman of the Board



Philip M. Browne
Senior Vice President
and Chief Financial Officer



David B. Weinstock
Vice President and
Chief Accounting Officer

Boards of Directors

ADVANTA CORP. DIRECTORS



DENNIS ALTER
Chief Executive Officer and Chairman of the Board, Advanta Corp.



WILLIAM A. ROSOFF
President and Vice Chairman of the Board, Advanta Corp.



DANA BECKER DUNN
Retired Vice President, U.S. Services of Avaya, Inc. Basking Ridge, NJ



ARTHUR P. BELLIS
Private Investor New York, NY and Aspen, CO



ROBERT S. BLANK
Co-Chief Executive Officer, Whitney Communications Co.; Senior Partner, Whitcom Partners; New York, NY



MAX BOTEL
President, Penn Center Investments Philadelphia, PA



RONNIE LUBNER
Chairman, Belron International Ltd. and Plate Glass Holdings Ltd. London and Johannesburg



OLAF OLAFSSON
Vice Chairman, Time Warner Digital Media; Executive Vice President, AOL Time Warner New York, NY



ROBERT H. ROCK
President, MLR Holdings Philadelphia, PA



MICHAEL A. STOLPER
Co-Managing Director, Hawthorn Associates Philadelphia, PA

ADVANTA BANK CORP. OUTSIDE DIRECTORS



CALVIN BOARDMAN
Professor of Finance, Eccles School of Business, University of Utah Salt Lake City, UT



FRED FAIRCLOUGH
Consultant, Bonneville Mortgage Salt Lake City, UT



FRED GONZALES
President, Northern Outfitters Draper, UT



WILLIAM WIRTHLIN
President, Associated Title Company Ogden, UT

Corporate and Investor Information

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Advanta National Bank

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Wilmington, DE 19803
Tel: 302. 529. 6673

Advanta Partners LP

Advanta Growth Capital LP

712 Fifth Avenue
28th Floor
New York, NY 10019
Tel: 212. 649. 6900

ADVANTA ON THE NET

<http://www.advanta.com>

STOCK LISTING AND SYMBOLS

The Company's common stock is traded on The Nasdaq National Market. The trading symbol for Class B non-voting Common Stock is ADVNB, and Class A voting Common Stock is ADVNA.

COMMUNICATIONS

Catherine Reid

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INVESTOR RELATIONS

David Weinstock

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TRANSFER AGENT, REGISTRAR AND DIVIDEND DISBURSEMENT AGENT

For information relating to stock certificates, change of address, dividend payments or transfer of ownership, please contact:
Mellon Investor Services LLC
Overpeck Centre
85 Challenger Road
Ridgefield Park, NJ 07660
Tel: 800. 851. 9677

INDEPENDENT AUDITORS

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Philadelphia, PA

LEGAL COUNSEL

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Philadelphia, PA



